

3Q FY2023 Tokuyama Corporation Investor Meeting Q&A

Date and time: January 31, 2024(Wednesday) 12:00-13:00

Participant: Hideo Sugimura , Representative Director, Senior Managing Executive Officer
General Manager, Corporate Planning Division

Regarding the Cement Business

Q: In the cement business, operating profit for Q2 was JPY1.8 billion, JPY2.5 billion for Q3, and the forecast for Q4 is JPY2.2 billion, which is a decrease from Q3. I heard that the coal price in Q3 was less than the coal price in Q2. I have the impression that the improvement in profit from Q2 to Q3 is very small in comparison. Could you provide some clarification in this area?

A: It is a positive factor that sales price revisions are steadily penetrating the market, but there is also the fact that coal prices are dropping slightly. Since we have reduced operations a bit, the unit price for the fixed costs in that area will increase, and we expect that profits will not increase that much. The current forecast incorporates the fact that the volume will be slightly lower, including the number of business days.

Regarding the Chemical Business

Q: Concerning the chemicals segment, the total operating profit forecast has been revised downward by JPY1 billion. I would appreciate it if you could explain the reasons for the major products, in terms of volume, price and such.

A: In terms of the end of the full-year, we see considerable difficulties overseas for vinyl chloride monomer and vinyl chloride resin. We are looking at vinyl chloride with a very severe view because overseas markets are very sluggish. So, we are looking at it very severely to the point of restraining production.

However, the domestic caustic soda market is gradually improving, and although the volume is not that good, the price is holding steady, so I think it is relatively good.

Regarding soda ash, calcium chloride, and cullet, price corrections are underway. While calcium chloride had a slow start, we anticipate a recovery due to seasonal factors. We expect soda and calcium chloride to maintain their current trends.

Regarding the Coal price of next year

Q: The lower costs of coal will probably be reflected in H1 in the next fiscal year. Is that correct?

A: Yes, that's right. Compared to this year, I think it will gradually become cheaper. However, since we are reducing production activity in general, we still have a significant buildup of high coal inventories with higher price due to lower power generation compared to our original plan. If you are asking whether if all is lowered in alignment with market conditions, I expect that the remainder of slightly high inventory will stay, as I explained at the beginning of this year's fiscal year, but I believe that this will be considerably less than at the beginning of the current fiscal year.